



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0468	Title:	Move certain investment programs from board of investments to Dept. of Commerce
Primary Sponsor:	Cocchiarella, Vicki	Status:	As Introduced

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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of Fiscal Impact:

SB 468 transfers the Board of Investments' duties under the Montana Economic Development Bond Act to the Department of Commerce (DOC), transfers the board's authority to issue freight rail revenue bonds to the DOC, and urges the board to maximize returns by managing assets internally instead of hiring external managers. This bill has no fiscal impact to the state.

FISCAL ANALYSIS

Assumptions:

Department of Commerce (DOC)

1. SB 468 transfers the Board of Investments' (BOI) duties under the Montana Economic Development Bond Act (the "Act") to the DOC.
2. Tax-exempt private activity bonds (bonds that are used for non-governmental purposes) issued under the Act must adhere to applicable federal laws. The Tax Reform Act of 1986 placed a number of restrictions on the use of tax-exempt private activity bonds. As a result of the restrictions, issuing bonds under the Act is limited. The last time bonds were issued under the Act was October 2002. There are currently no requests by a party to issue bonds under the Act. Bonds outstanding under the Act as of June 30, 2006 are listed below:

<u>Project</u>	<u>Issue Date</u>	<u>Issue Amount</u>	<u>6/30/2006 Balance</u>
Colstrip	10/01/89	60,800,000	50,700,000
BGI	07/01/93	118,345,000	115,145,000
Stillwater Mining	07/01/00	30,000,000	30,000,000
Gainey Foundation	10/01/02	6,000,000	4,700,000
Total		<u>215,145,000</u>	<u>200,545,000</u>

3. SB 468 also transfers the BOI authority to issue freight rail revenue bonds to the DOC. There have not been any freight rail revenue bonds issued.
4. The bill removes the reference to private equity investments in the pension funds and replaces it by urging the BOI to maximize returns by managing assets internally instead of hiring external investment managers.
5. For the purposes of this fiscal note it is assumed the DOC would enter into a no-cost memorandum of understanding with the Board of Investments that existing BOI staff would continue to service existing bond issues since BOI staff are more qualified and experienced in these activities.

Technical Notes:

1. The federal government, through provisions of the Internal Revenue Service Code, has imposed a volume cap limitation on the amount of tax-exempt bonds each state may issue for private activity. Title 17, chapter 5, part 15, the Montana Unified Volume Cap Bond Allocation Plan Act, gives the BOI a set-aside percentage of the state's volume cap allocation. This would have to be changed to transfer the BOI set-aside to the DOC.

Sponsor's Initials

Date

Budget Director's Initials

Date